

# ANNUAL REPORT TO STOCKHOLDERS

## Montgomery Ward & Co., Incorporated

Chicago, Illinois, February 1, 1921.

### TO STOCKHOLDERS:

We beg to hand you a copy of our Annual Statement for the year 1920 as certified by Arthur Young & Co., Certified Public Accountants.

The past year was the most difficult the Company has experienced. It is the wish of your Directors that the Stockholders be advised of the situation and of the manner in which the officers have endeavored to meet conditions which they could not control.

Sales for the first seven months showed an increase of approximately 34% over 1919. Starting in August orders fell off rapidly, December sales being 33% below 1919, leaving a net increase of less than 3% in the sales for the year, which were the largest in our history.

Immediately upon realizing that the turn in the tide had come, we proceeded to reduce our prices. These price reductions caused heavy losses on sales during the last four months of the year.

Our inventories, taken December 31, 1920, have been carefully analyzed and all merchandise valued at replacement or cost, whichever was lower. The depreciation taken was \$5,174,434.65 below cost to us, resulting in an inventory at December 31, 1920, of \$30,282,671.95, as compared with \$28,136,166.04 on December 31, 1919.

These inventory depreciations and losses aforesaid, together with losses of our factories due to the general depression, resulted in a total loss for the year of \$7,855,278.29 which has been charged to surplus.

Following good business methods and in the interest of our customers and stockholders, we have taken our losses in the figures of the year 1920, and are now doing business on the readjusted basis of values. Our commitments for merchandise are smaller than they have been at any time for the last five years.

The Company has paid the dividends on its Preferred stock for the year 1920. It also paid the quarterly dividends on its Class "A" stock for the first three quarters of the year. The dividend on the "A" stock for the last quarter was passed when it became apparent there would be no profits and consequently the Charter requirements respecting the amounts to be set aside out of profits for the protection of the Preferred stock could not be complied with. No dividend has been declared or paid on the "B" or Common stock.

On January 4, 1921, Mr. Theodore F. Merseles was elected President of the Company. He brings to the problems and business of Montgomery Ward & Co., matured mail order experience gained through his many years of successful activity as Vice-President and General Manager of The National Cloak & Suit Company.

The Board of Directors look forward with confidence to the future under Mr. Merseles' leadership.

BOARD OF DIRECTORS, MONTGOMERY WARD & CO., INCORPORATED.

SILAS H. STRAWN, *Chairman.*

BOARDS

9658.27  
M2152

## ASSETS

## CURRENT AND WORKING ASSETS:

Cash . . . . .	\$ 3,415,828.75
Marketable Securities . . . . .	398,393.21
Accounts Receivable . . . . .	7,318,190.52
Notes Receivable . . . . .	573,752.35

## Inventories of Merchandise, Supplies, etc.—

Mercantile . . . . .	\$27,414,656.53
Factories . . . . .	2,868,015.42
	<u>30,282,671.95</u>

## Affiliated Companies—

Accounts Receivable . . . . .	\$ 77,397.86
Notes Receivable . . . . .	303,137.64
	<u>380,535.50</u>

STOCK INVESTMENTS—AFFILIATED COMPANIES . . . . .	\$42,369,372.28
SINKING FUND DEPOSIT—PREFERRED STOCK . . . . .	1,141,925.00
COMPANY PREFERRED STOCK PURCHASED IN PROCESS OF REORGANIZATION HELD IN TREASURY 37,804 SHARES . . . . .	200,000.00
EXPENSE, AND PREMIUM ON PREFERRED STOCK PURCHASED, IN REORGANIZATION . . . . .	3,780,400.00
Less Charged off in 1920. . . . .	764,304.76
	<u>402,423.00</u>

Balance to be charged off monthly during 1921 . . . . .	361,881.76
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## REAL ESTATE, BUILDINGS AND EQUIPMENT:

## Real Estate and Buildings—

Mercantile . . . . .	\$10,908,344.47
Factories . . . . .	1,004,052.33
	<u>11,912,396.80</u>

## Machinery and Equipment—

Mercantile . . . . .	1,926,535.92
Factories . . . . .	1,003,118.42
	<u>2,929,654.34</u>
	<u>14,842,051.14</u>
	<u>\$62,695,630.18</u>

Net Sales for the Year 1920 . . . . .	\$101,745,270.87
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## LIABILITIES

## CURRENT LIABILITIES:

Accounts Payable . . . . .	\$ 5,942,932.44	
Notes Payable . . . . .	10,463,968.86	
Accrued Taxes—General . . . . .	223,122.62	
	<hr/>	\$16,630,023.92
RESERVE FOR REAL ESTATE, BUILDINGS, ETC. . . . .		1,761,907.88
PREFERRED STOCK 7% CUMULATIVE—		
\$100 PAR VALUE:		
Authorized . . . . .	10,000,000.00	
Issued . . . . .		8,000,000.00
CLASS "A" STOCK \$7 PER SHARE CUMULATIVE—		
205,000 shares having no par value } . . . . .		8,186,396.02
CLASS "B" STOCK—		
95,000 shares having no par value } . . . . .		
COMMON STOCK—Having no par value:—		
Authorized 1,000,000 shares } . . . . .		25,687,530.00
Issued 856,251 " } . . . . .		
SURPLUS:		
As at December 31, 1919 . . . . .	12,342,932.04	
Deduct:		
Federal Taxes Paid—		
Additional for 1917 . . . . .	\$ 477.94	
Taxes for 1919 . . . . .	860,326.02	
	<hr/>	860,803.96
Less:		
Adjustment of Taxes 1917 and 1918 . . . . .	415,302.57	
	<hr/>	\$ 445,501.39
Dividends Paid—		
Preferred Stock . . . . .	546,344.75	
Class "A" Stock, First three quarters . . . . .	1,066,035.25	
	<hr/>	1,612,380.00
Loss for year . . . . .	7,855,278.29	
	<hr/>	9,913,159.68
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		2,429,772.36
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		\$62,695,630.18

TO THE PRESIDENT, BOARD OF DIRECTORS AND STOCKHOLDERS OF MONTGOMERY WARD & CO., INCORPORATED.:

We have audited the accounts and records of Montgomery Ward & Co., Incorporated, covering the year ending December 31, 1920, and certify that the above Balance Sheet is in accordance with the records and in our opinion correctly sets forth the financial position of the Company as at December 31, 1920.

After providing for depreciation on buildings and equipment and for bad and doubtful accounts, a loss has resulted from the year's operations of \$7,855,278.29. The inventories of merchandise and supplies have been valued at cost or market, whichever was lower.

Reference is made to the explanation as to dividends paid and Charter requirements in the foregoing report of the Chairman of the Board.

(Signed) ARTHUR YOUNG & CO.

Certified Public Accountants.

Chicago, Illinois, January 29, 1921.

## OFFICERS AND DIRECTORS OF MONTGOMERY WARD & CO.

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### DIRECTORS

ELLIOTT AVERETT  
BERNARD A. ECKHART,  
D. R. McLENNAN,

J. CHAS. MADDISON,  
THEODORE F. MERSELES,  
CHARLES D. NORTON,  
SILAS H. STRAWN

JOHN A. SPOOR,  
CHARLES H. THORNE,  
ROBERT J. THORNE.

### OFFICERS

THEODORE F. MERSELES	. . .	<i>President</i>
J. CHAS. MADDISON	. . .	<i>Vice President, Secretary and Treasurer</i>
R. E. WOOD	. . .	<i>Vice President in Charge of Merchandising</i>
HENRY SCHOTT	. . .	<i>Vice President in Charge of Advertising and Sales</i>
ANDREW YOUNG	. . .	<i>Vice President in Charge of Operating</i>
F. H. CAMPHAUSEN	. . .	<i>Assistant Secretary and Assistant Treasurer</i>
A. M. PENHALLOW	. . .	<i>General Auditor</i>
R. R. RICHARDSON	. . .	<i>General Manager of Factories</i>